STATEMENT OF
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SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to inform you of the continuing progress, challenges, and future direction of the Department of Veterans Affairs (VA) revenue program and to update you on the current status of the implementation of the Patient Financial Services System (PFSS).

The charge that the Secretary and the Under Secretary for Health issued to the Veterans Health Administration's (VHA) Chief Business Office (CBO) upon its creation two years ago was to provide focused leadership and direction to the multiple efforts comprising our revenue improvement strategy, and to further identify and pursue any actions necessary to ensuring achievement of the goals and expectations that had been established both within the department and by those responsible for providing oversight and direction to our efforts. Consistent with that charge, we have a dynamic Revenue Action Plan encompassing a broad range of business processes that impact VA revenue activities.

To begin with, Mr. Chairman, I am pleased to report that collections continue to increase. Collections through June 2004 now total $1.2 billion, which is some $129 million above last fiscal year's record collection rate as of the same date. We estimate that this year's collections will be approximately $1.7 billion, representing the largest amount collected in the history of the revenue program. In addition, and consistent with industry measurement approaches, we are continuing to reduce gross days revenue outstanding, accounts receivable greater than ninety days, and days to bill.

Earlier this year, VA received recognition for its innovative and aggressive implementation of improved business processes from the National Automated Clearinghouse Association (NACHA), which represents over 12,000 financial institutions. NACHA awarded VA the 2004 Kevin O'Brian Automated Clearing House Quality Award for its e-payments system – a system that makes possible electronic receipt of remittance advices and payments.

Information Technology

We have made considerable improvement in operating processes and systems, migrating from a labor-intensive manual process to automated billing and collection activities. We have developed automated utilities to support pre-registration and insurance verification and procured claims analyzer software to expedite clinical review of medical claims prior to submission to third-party payers. In addition, we have implemented electronic claims generation capabilities for transmittal of claims to third-party health insurance companies and activated a first-party lockbox to automatically apply payments from veterans to their outstanding co-payment charges. The automation of this process has simplified the process for veterans, significantly reduced processing time, and freed facility staff to concentrate on follow-up of insurance claims.

Enhancements and changes to the Veterans Health Information Systems and Technology Architecture (VistA) system have simplified many of the manual processes once utilized. We are currently procuring a commercial-off-the-shelf (COTS) Patient Financial Services System (PFSS) that is intended to replace the VistA Integrated Billing and Accounts Receivable packages. This system, coupled with several of the ongoing revenue action plan objectives, will provide VA with a state-of-the-art software solution that expedites the billing and collection process by enabling the establishment of encounter-based patient accounts and the production of substantially more reliable industry-based reporting, analysis, and decision support capabilities. As we move forward with changes to the billing and collection modules within VistA, we will be in close coordination with Presidential Management Initiatives in Health Information

Technology, as efforts are underway to develop and implement electronic health records, health data standards, and an integrated Federal Health Architecture.

Revenue Action Plan

Upon creation of the CBO, VHA initiated a comprehensive assessment of ongoing activities within the revenue program. This assessment focused on "industry best" practices and resulted in the identification of a series of objectives in addition to those originally included in the 2001 Revenue Improvement Plan.

The immediate improvement strategies include development of the Medical Care Collections Fund (MCCF) performance metrics, an expanded focus on contracting for collection of accounts receivable over 60 days, and utilization of available contract support encompassing collections, insurance identification and verification, and coding. Currently, over 70 contracts are being used throughout VHA. Many of these are structured to allow contractors to retain a percentage of collections, which minimizes operational costs. Another significant accomplishment was to expedite the development and implementation of Electronic Data Interchange (EDI) for third-party claims to meet Health Insurance Portability and Accountability Act (HIPAA) deadlines. The initial e-Claims software is operational at all VA facilities, and as of May 2004, more than 10 million claims have been generated.

An important mid-term improvement in the Revenue Action Plan, targeted for completion this fall, is to complete the Medicare Remittance Advice (MRA) project. This project is designed to improve the quality of our many Medicare supplemental claims and accurately identify deductible and coinsurance amounts that Medicare supplemental insurers calculate to determine reimbursement to VA. This effort will also allow VA to more accurately identify accounts receivable. Other mid-term strategies include:

- activation in September 2003 of an electronic insurance identification and verification process that has confirmed the existence of an estimated 105,000 health insurance policies;

- software enhancements implemented in October 2003 to enable receipt of electronic payments from insurers;
- continuing development of encounter-specific inpatient accounts (activated in March 2004), and further enhancements to the VistA clinical applications to collect data elements required for complete and accurate billing information (October 2004); and
- a further advanced redesign of our Health Eligibility Center database to provide enhanced eligibility and enrollment functionality, improve data quality, and expand data sharing capabilities. When the redesign is completed in October 2005, VHA will have a single enrollment database that will provide "register once" capability, support the delivery of consistent and reliable eligibility information across VHA, and enhance and further automate the availability of compensation and award data.

A major tactical initiative currently underway is the phased piloting of Consolidated Patient Account Centers (CPACs). Modeled after private industry as an effort to enhance revenue consolidation efforts throughout VA, the initiative is targeted for deployment in September 2005 and is designed to gain economies of scale by regionally consolidating key business functions. Once implemented, CPACs will serve to standardize business operations relating to "back office" functions.

PFSS

A major focus of our current long-term strategy is the implementation of an industry proven Patient Financial Services System (PFSS) that will yield dramatic improvements in both the timeliness and quality of claims and collections.

A comprehensive reassessment and rigorous analysis of the PFSS project plan and associated timeframes has recently been completed to identify, in detail, the work and actions necessary to successfully blend the commercial PFSS system with VistA and our billing and collection work processes. A further

outcome of the reassessment has resulted in changing the project from being matrix-managed to a single point of accountability-managed project under my direction and leadership. VA's Chief Information Officer, Mr. Robert McFarland, will provide additional oversight and monitoring to ensure the project stays on schedule. Because of the analysis and the corresponding adjustment in project timelines and leadership, we are confident that we will be able to successfully implement PFSS within the established timeframes. This very complex project is targeted for rollout at the first test site in VISN 10 (Cleveland) in October of 2005, with subsequent rollout to the remaining four VISN 10 test sites.

Refined cost estimates for the first pilot site in Cleveland are estimated to be $72.7M. A preliminary estimate for the remaining pilot sites is an additional $30M. We are working diligently to refine the preliminary estimate and to estimate enterprise-wide costs.

Due to its scope and complexity, this project is not without significant risk. VHA must make substantial changes across a large number of VistA applications to integrate with the commercial PFSS product. Therefore, we are using independent consultants to verify and validate our plans and to perform a thorough risk analysis. We are also incorporating lessons learned from the CoreFLS project to improve the likelihood of successful outcomes in PFSS. We believe these actions will result in a successful demonstration project that we can subsequently implement throughout VHA.

Conclusion

Mr. Chairman, we have seen significant improvements both in collections and overall performance, and we are optimistic that with the continued implementation of the revenue action plan, VA collections will continue to improve. However, we also believe that we can accomplish much more. We must continue to improve our performance in prospectively identifying veterans with billable health insurance, training and educating staff, improving the association of service-connected disability to treatment, expanding clinical documentation, and accurately coding and timely billing for reimbursable

services. We must continue to monitor and implement industry best practices and further expand communication with payers. Vital to these many efforts is the continuing dedicated support of VA leadership, acceptance of responsibility, accountability, and the assignment of stringent performance measures and incentives. As we continue to improve in these areas, we will be serving the best interests of both the Department and the veterans we serve by increasing the resources we need to provide them the high-quality health care they deserve.

This concludes my statement, and I will be pleased to respond to questions from the Subcommittee.